



County of Erie

MARK C. POLONCARZ

COMPTROLLER

June 15, 2009

Honorable Legislators
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Re: April 2009 Sales Tax

Dear Honorable Members:

In May 2009 I provided your Honorable Body with a letter advising about the decline in sales tax receipts to the County for the first three months of 2009. In that letter, I warned that March 2009 sales tax receipts were down 12.35% compared to March 2008 and that total aggregate sales tax revenues were 3.07% below budget for the first three months of 2009.

As you know, Erie County ("County") relies on the sales and compensating use tax ("sales tax") for approximately one-third of our revenues.

The County has just received final April 2009 sales tax revenues from the State and the data shows that compared to the same month in 2008, April 2009 receipts are down 8.98%. In addition, total aggregate sales tax revenues are 6.01% below budget for the first four months of 2009. This negative development reflects the continuing poor state of the local, state, national and international economies and less consumer spending. This data also shows that our local decline in sales tax and consumer spending is not be an anomaly, and we are experiencing the same negative trends as other counties in New York such as Nassau County.

On May 11, 2009, the Collins Administration sent to the Erie County Fiscal Stability Authority a revised Four Year Financial Plan ("Plan"). That version of the Plan reduced the projected 2009 sales tax revenue by \$12.7 million, or just over 3%. On May 27, 2009, at ECFSA's request, the administration introduced a new version of the Plan. That revised Plan further reduced projected 2009 sales tax receipts by an additional 2.2% or \$7.1 million. The administration now projects 2009 County-share sales tax revenues to be approximately \$20 million under budget. ECFSA approved the Plan on June 2, 2009.

In our October 2008 report analyzing the County Executive's proposed 2009 budget, we warned that we believed 2009 sales tax revenues were over-optimistic and not likely to make budget. Unfortunately, our warning is becoming reality.

Poloncarz April 2009 Sales Tax Warning Letter to Legislature

June 15, 2009

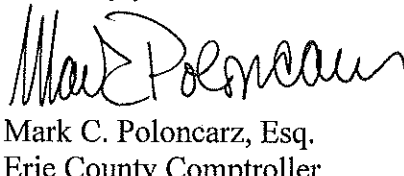
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In their budget monitoring report ("BMR") for January-March 2009 the Collins Administration stated that year-to-date sales tax revenue was \$976,251 under-budget. In fact, as I reported to you, the updated data showed the County was under-budget by \$2,840,411 at the end of March 2009. The administration's recently-released April 2009 BMR reported that year-to-date sales tax revenue was \$5.5 million less than budget. Based on new April 2009 sales tax data, our office finds that year-to-date sales tax revenue is actually \$7.38 million less than budget.

Since September 2007 I have cautioned about the County's over-dependence on sales tax to support operations. While we only have four full months of sales tax data to analyze, the trend is negative and worsening.

Due to the County's receipt of Federal Medicaid Assistance Program ("FMAP") funds and a related reduction in weekly Medicaid-MMIS payments to the State, the County is technically not in a situation requiring immediate corrective action to address negative variances in the 2009 Budget. However, if the County was not in receipt of FMAP relief the County would already be in a serious situation prompting the declaration of a budget deficit and immediate corrective actions by the County Executive and your Honorable Body. Close monitoring of all spending and revenues will continue to be necessary for the remainder of 2009. I will report to you as necessary on changes in the County's fiscal situation.

Sincerely yours,



Mark C. Poloncarz, Esq.
Erie County Comptroller

MCP/dt

cc: Gregory Gach, Director of Budget and Management
Christopher Collins, County Executive
Erie County Fiscal Stability Authority